

The payment by a labor organization, otherwise described in section 501(c)(5) of the Internal Revenue Code of 1954, of death, sick, accident, and similar benefits to its individual members with funds contributed by its members, if made under a plan which has as its object the betterment of the conditions of the members of the organization, does not preclude exemption of the organization under section 501(c)(5) of the Code.

Revenue Ruling 58-143, C.B. 1958-1, 239, revoked.

Reconsideration has been given to Revenue Ruling 58-143, C.B. 1958-1, 239, concerning the tax-exempt status of a labor union which pays death, sick, accident, and other benefits to its members.

Revenue Ruling 58-143 holds that the operation of an established system for the payment of sick, death accident, and other benefits, which members are entitled to receive as a matter of right in consideration of the payment of assessments, has no customary relation to the purposes of a labor union within the contemplation of section 501(c)(5) of the Internal Revenue Code of 1954, and that the operation of such a system by a labor organization will, unless merely incidental, preclude such organization from exemption.

Section 1.501(c)(5)-1(a) of the Income Tax Regulations provides that the labor, agricultural, and horticultural organizations contemplated by section 501(c)(5) of the Code as entitled to exemption from income taxation are those which:

- (1) Have no net earnings inuring to the benefit of any member, and
- (2) Have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

A further review of the subject, including the legislative history of the provisions exempting labor organizations from income taxation, indicates that labor organizations were exempted for the very reason that they operated, in part, as mutual benefit organizations providing death, sick, accident, and similar benefits to their members.

Accordingly, it is held that payment by a labor organization of death, sick, accident, and similar benefits to its individual members with funds contributed by its members, if made under a plan which has as its object the betterment of the conditions of the members, does not preclude exemption of the organization under section 501(c)(5) of the Code.

Inasmuch as Revenue Ruling 58-143, holds that the operation by a labor organization of an established system funded by assessments against its members for the payment of death, sick, accident, and other benefits, to which such members are entitled as a matter of right, will cause withdrawal of the labor organization's exemption, it is hereby revoked.